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The Silver Market 19

76th Annual Review compiled by **Handy & Harman**

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The Silver Market
1991

Handy & Harman
250 Park Avenue, New York, NY 10177

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Highlights of The Silver Market 1991

Worldwide production of silver continued to decline from the recent peak of 581 million ounces established in 1989. Production in 1991 was 524 million ounces, a 6.1% drop from the 558 million ounces produced in 1990.

Total silver consumption for industrial uses and coinage has remained stable for the last three years with 580 million ounces being used in 1989. Consumption in 1991 was 588 million ounces, a .5% increase from the 585 million ounces in 1990.

Worldwide silver stocks declined 64 million ounces in 1991 compared to a decline of 27 million ounces in 1990. Even though stocks declined 91 million ounces during the last two years, worldwide surface silver stocks remain very high at 1,448 million ounces at the end of 1991.

The average price of silver in New York continued its decline which began five years ago. The average price of silver was $7.01 in 1987 and has dropped steadily since that time. The average price was $4.05 in 1991, a 16.0% drop from the comparable 1990 amount of $4.82. On an inflation adjusted basis, the 1991 prices had not reached such low levels since 1971 when a low of $1.29 was recorded which was equivalent to $3.81 in current dollars.

Table of Contents

3 Highlights of the Silver Market for 1991

5 Review of the Silver Market for 1991

6 Review of the World Market

7 Silver in the United States

7 The New York Market

8 Price Definition

8 Silver Futures

10 Industrial Consumption

10 Production

10 Imports and Exports

12 Legislative Developments

13 United Kingdom

13 West Germany

15 France

15 Canada

16 Mexico

16 Japan

18 India

18 Eastern European Countries

19 Silver Price History

23 Outlook for Silver

25 Statistical Tables

Review of The Silver Market for 1991

Silver opened the year on a down note, dropping 5 cents the first trading day from $4.175 to $4.125. The downtrend was very strong and continued for the next two months until it hit a 17-year record low of $3.580 on February 26. (The last time silver was trading at these levels was on January 16, 1974.) Silver then made a dramatic rebound from its record low to $4.16, a jump of 16.2% in 8 trading days. It then traded in a zigzag pattern for the next three months until an uptrend developed which pushed silver to a high of $4.53 on June 10, 1991. In just three days silver moved up 38 cents or 9.2 % from $4.15. Silver traded approximately one month in the $4.30 to $4.50 range and then quickly dropped below $4.00. It finally was able to rebound after reaching a secondary low of $3.82 on August 30. Thereafter, until December, silver traded in the range of $4.00 to $4.15. In the latter half of December, silver was unable to stay above $4.00 and dropped again down to the $3.80's level ending the year at $3.855.

The year-to-year decline was 32 cents or a decline of 7.7%. However, the average silver price decreased even more from $4.820 to $4.047 or almost 80 cents. In percentage terms the decline amounts to 16.2%. The peak to trough was 95 cents or 23.5% of the average price for the year.

Review of the World Market

Extremely low precious metal prices, worldwide recession and disruptions in Eastern Europe and the former Soviet Union resulted in a 6.1% decline in worldwide production of silver in 1991. Total production is estimated to be 524.4 million ounces versus 558.4 million ounces in 1990, a decline of 34 million ounces.

Consumption of silver increased slightly in 1991 to 588.4 million ounces from 585.4 million ounces in 1990. This increase is a result of industrialization of the world requiring more computers, more catalyst and film. Most of the industrialized nations increased its use of silver in 1991 even though the world was experiencing an economic recession. The United States, Canada, Great Britain, West Germany, Japan and India all increased consumption of silver while the disruptions in Eastern Europe and the former Soviet Union caused a decline in industrial consumption in those countries.

Total coinage also increased in 1991 to 27 million ounces from 25.7 million ounces. The American Eagle silver coin continues to be very popular while sales of Canadian coins declined. Coinage in Germany also increased significantly in 1991 to 5.6 million ounces versus 1.9 million ounces in 1990.

World mine production in 1991 decreased 7% to 430.0 million ounces from a revised 462.3 million ounces in 1990. The reduction in mine production occurred in the United States, Mexico, Canada, Eastern Europe and the former Soviet Union. Australia is the only country which increased its mine output in 1991. Australian mine output is estimated to be 40.9 million ounces in 1991 versus a revised 37.7 million ounces in 1990.

Lower mine production during 1991 was offset by disinvestment of silver by governments and private investors. Comex holdings continued to increase and the U.S. Government has continued its

expressed policy to reduce its stockpile of silver and further liquidations have been approved.

Although production of silver has recently declined, the decrease appears to be small relative to the tremendous drop in prices of silver during the past decade. Total output of silver depends to a certain extent on the production of other minerals such as copper, gold, lead and zinc. It is our understanding that only 41% of silver is produced from mines where silver is the principal product. Copper mines account for approximately 29% of silver's annual production and gold mines 19%. The remainder comes from lead, zinc mines and other types of mines.

Secondary recovery of old scrap declined 1.7 million ounces in 1991, or 1.8% to 94.4 million ounces as compared to a revised 1990 figure of 96.1 million ounces. Lower silver prices appear to be having an impact on secondary refining of silver.

While total worldwide stock remained stable, silver holdings by different institutions and groups continue to change. Governments, primarily the U.S., continued to liquidate their stock. The U. S. Government supplied approximately 11.8 million ounces of silver to the marketplace in 1991 in addition to the 11.0 million ounces that it sold in 1990. India continues to have a strong interest in holding silver for investment, industrial and other purposes. However, because of the country's need for foreign currency, India prohibits free flow of silver into the country thereby reducing its demand for the white metal from the rest of the world.

SILVER IN THE UNITED STATES

New York Market: The Commodity Exchange (COMEX) in New York is the largest market for trading silver in the United States. COMEX is a futures market and trades mainly contracts for the delivery of silver at some future period. The most quoted price for prompt physical delivery of silver (spot price) in New York is the price

published by Handy & Harman. The Handy & Harman price closely reflects the prices on COMEX for silver futures, since silver users and suppliers trade and hedge on the COMEX. Unless otherwise specified, all references to the New York prices are to the Handy & Harman published price.

Price Definition: The New York Silver Price as published daily by Handy & Harman is defined as follows:

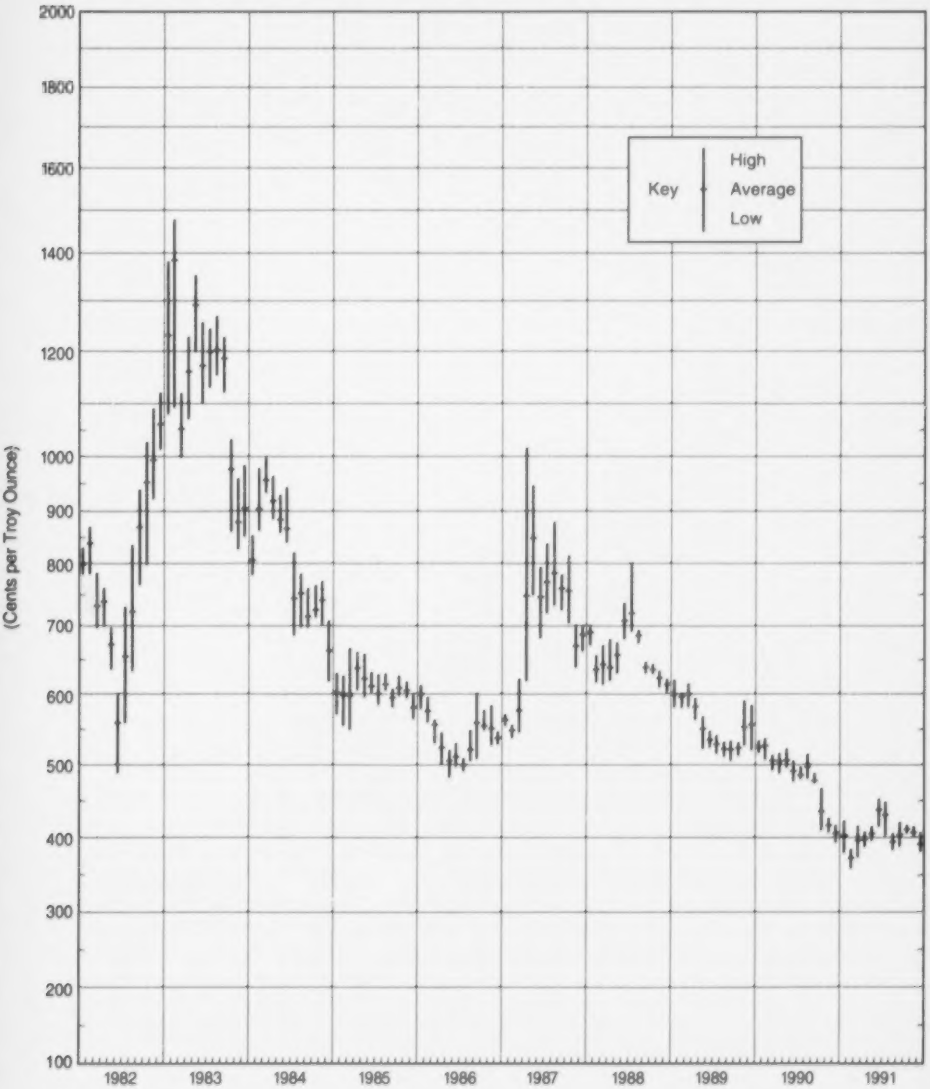
> "The daily silver quotation reported by Handy & Harman, in cents and tenths of a cent per troy ounce, is the lowest at which offers can be obtained by Handy & Harman for silver in commercial bar form, in accordance with ASTM Designation: B413-69 Specification for Refined Silver, Grade 99.90 for nearby delivery at New York, in quantities sufficient to meet requirements."

Although the New York Silver price as published by Handy & Harman is usually very close to the COMEX price, there is a distinction between the two. COMEX accepts as good delivery against contracts on the Exchange silver that is 99.9% pure without reference to impurities, whereas Handy & Harman requires conformity to ASTM specification which sets maximum limits on impurities. These limits are very important to commercial users.

Silver Futures: Silver futures trading increased 6.2% in 1991 from 1990's level. Total trading was 4,154,704 contracts versus 3,913,609 contracts during 1990. Each contract is for 5,000 ounces. This is equivalent to 20.8 billion ounces as compared to 19.6 billion ounces of silver in 1990. Open interest at year-end was 96,843 contracts or 14.8% more than at the same time in 1990. At the end of 1990, there were 84,343 contracts outstanding.

COMEX stocks held at licensed vaults rose 5.4 million ounces in 1991 to 270,734,285 ounces from 265,339,267 ounces. This continued the rising trend at COMEX which began in 1987. In 1990 Comex stock rose 26.5 million ounces and in 1989 Comex stock rose 64.4 million ounces. Therefore, Comex stocks have increased

New York Silver Prices Monthly Ranges



over 95 million ounces during the past three years. This represents a 2.0% increase for 1991 on top of the 11.1% increase in 1990 and 37% in 1989.

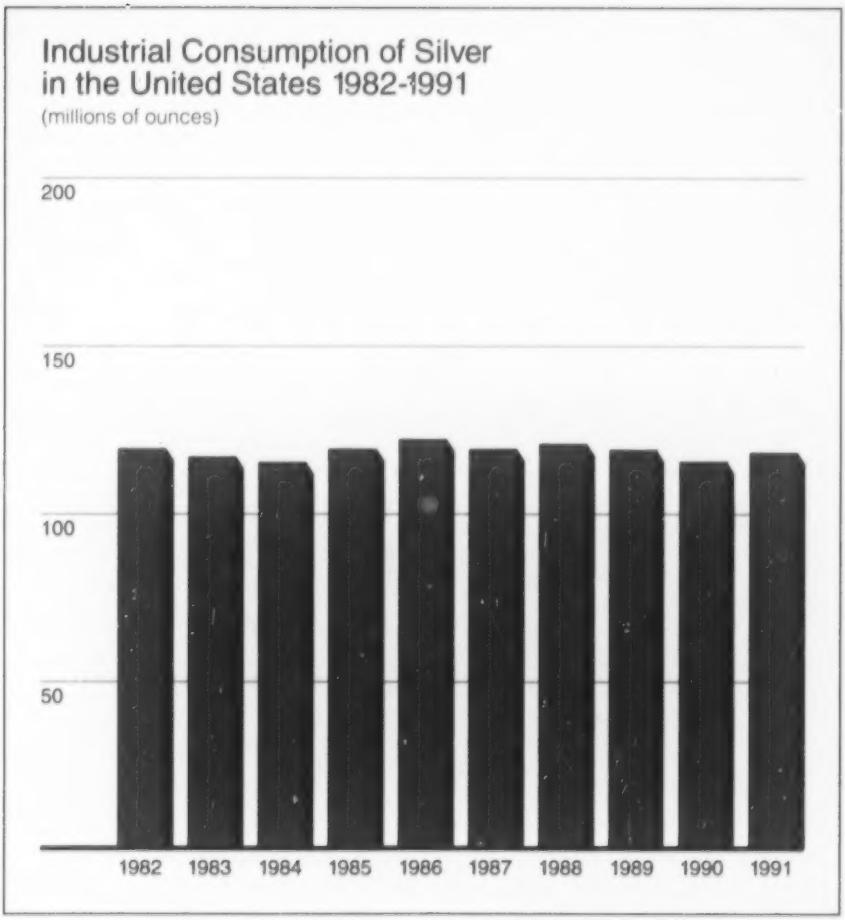
Stocks in approved Chicago Board of Trade vaults declined by 227,000 ounces during 1991 to 12,086,000 ounces from 12,313,000 ounces at the end of 1990; this represents a decrease of 1.8%.

Industrial Consumption: The United States Bureau of Mines has discontinued publication of statistics on U. S. consumption pending further review and study. The statistics used in this publication are Handy & Harman's best estimates. In 1990, the Bureau decided to measure "apparent demand" instead of industrial consumption. "Apparent demand" is defined as "refinery production from primary materials, plus refinery production from old scrap, plus net imports of bullion." This measure includes investment demand as well as silver required by domestic fabricating and other industries. Apparent demand, as defined by the U.S. Bureau of Mines, is estimated to be 163.8 million ounces in 1991 and 140.1 million ounces in 1990, or an increase of 23.7 million ounces.

Industrial consumption is estimated to have increased during 1991 by 2.6 million ounces, approximately 2.3%, to 118.1 million ounces from 115.5 million ounces in 1990. The table on page 29 reflects our estimates of United States industrial consumption of silver by end use.

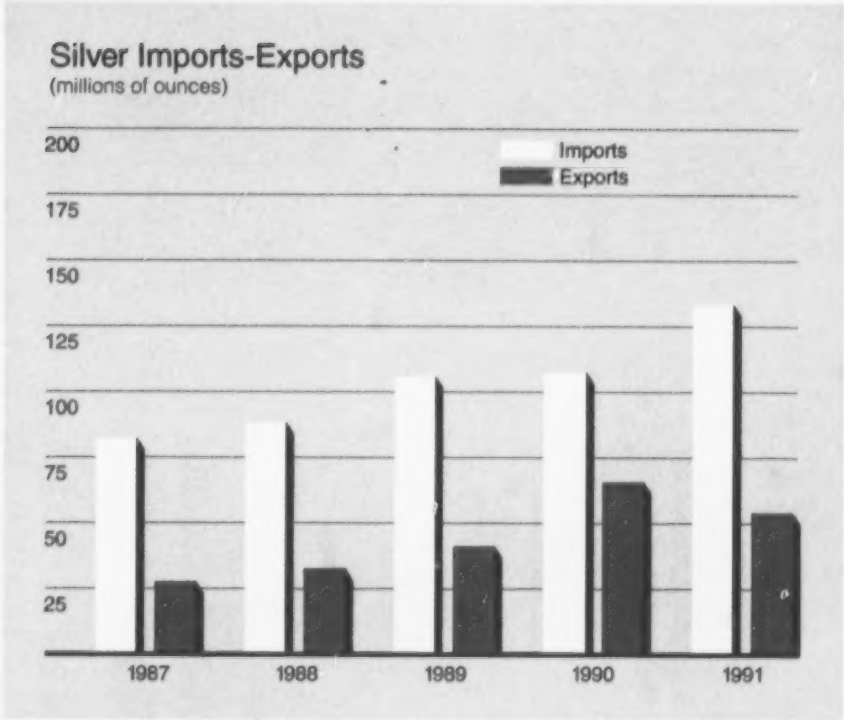
Production: Production of silver in the United States from mines is reported to have dropped 16.8% in 1991 from a revised 69.8 million ounces in 1990 to 58.1 million ounces. Secondary production of silver from refining old scrap decreased to 26.6 million ounces in 1991 from 28.0 million ounces in 1990.

Imports and Exports: U. S. imports of silver increased 23.8% during 1991 to 133.1 million ounces compared to imports in 1990 of 107.5 million ounces. Mexico and Canada provided the majority of



the silver. The table on page 30 reflects U.S. imports by country of origin for the last five years.

Exports of silver decreased 17.2% in 1991 to 54.0 million ounces from 65.2 million ounces in 1990. Major countries receiving silver from the U.S. were the United Kingdom, Canada, and Japan. The table on page 30 reflects U.S. exports by country of destination for the last five years.



Legislative Developments: As in past years, the U. S. Government continued to reduce its holding of silver. During 1991 approximately 11.8 million ounces were used in minting of coins or sold through auctions. The Administration is authorized under various pieces of legislation to dispose of stockpile silver in coin form and bullion. The U.S. Government's strategic defense stockpile of silver declined to 83,951,492 ounces at the end of 1991 from 93.7 million ounces at the end of 1990. Another 28.2 million ounces are authorized to be sold from the stockpile.

United Kingdom

Industrial consumption in the U.K. increased slightly in 1991 to 22.4 million ounces from a revised 1990 consumption figure of 22.2 million ounces. Secondary refining from old scrap decreased 2.1% in 1991 to 9.5 million ounces from a revised 9.7 million ounces in the prior year. No coins were melted down for industrial use in 1991 as in the prior year.

Industrial consumption of silver stayed fairly level despite the recession. Photographic demand was strong, utilizing 53% of total silver consumed. Electrical uses consumed 26% of total, jewelry and silverware consumed 9% of total and all other uses totalled 12%.

Total United Kingdom imports of silver in bullion and partially refined form totalled 38.1 million ounces of silver in 1991 as compared to 76.9 million in 1990. This is a decrease of 50.5% from 1990. Exports also decreased correspondingly by 39.3%, from 95.5 million ounces in 1990 to 58.0 million ounces in 1991.

During the past several years, private stocks of silver have declined due to the net exports. Silver stocks were estimated to be 240 million ounces in 1989, 209 million ounces in 1990 and 176 million ounces at the end of 1991.

West Germany

Total consumption, both industrial and investment, in West Germany increased 4.5% in 1991, from 51.0 million ounces in 1990 to 53.3 million ounces in 1991. Domestic mine production in West Germany was very limited at approximately .2 million ounces. Total production is estimated to be 15.0 million ounces, a slight increase from 14.9 million ounces in 1990. Of this total 98.7% or 14.8 million ounces were from imported ores. Secondary production from refining old scrap totalled 20.9 million ounces, declining from 21.1 million ounces in 1990 following a decline of 6.4% from the 1989 level of 22.5 million ounces.

Refined silver and silver products that were imported into West Germany totalled 48.2 million ounces, a decline of 10.4% from 53.8 million ounces in 1990. Of this amount Great Britain contributed 18.0 million ounces, Poland contributed 5.1 million ounces and Belgium sent 4.8 million ounces. Other major contributors were Switzerland at 4.0 million ounces and Sweden at 2.6 million ounces.

Exports totalled 20.9 million ounces, down 11.1 million or 34.7% from 32 million ounces in 1990. The Arab Emirates decreased their demand by 3.7 million ounces, or 60.7%, from 6.1 million ounces in 1990 to 2.4 million ounces in 1991. This appears to confirm the apparent reduced interest in silver by the Arab Emirates. Exports in 1991 to the Arab Emirates were down almost 70% from the level of 8.1 million ounces in 1989. Other major importers of German silver were Spain at 2.7 million ounces and Portugal at 2.4 million ounces.

The following table reflects the estimated industrial consumption in Germany for 1990 and 1989:

	(millions of ounces)		
	1991	**1990**	**1989**
Production	15.0	14.9	14.8
Recovery from old scrap	20.9	21.1	22.5
Recovery from old coins	1.2		
Imports	48.2	53.8	53.0
Total Supply	85.3	89.8	90.3
Exports	20.9	32.0	35.0
Increase in domestic stock	5.5	4.8	-
Available for consumption	58.9	52.9	55.3
Silver coinage	5.6	1.9	9.5
Total industrial consumption	53.3	51.0	45.8

France

Production of silver from refining operations increased to 9.3 million ounces in 1991 from 8.8 million ounces in 1990. This is approximately 5.7% higher than in 1990. Secondary recovery of silver increased 9.4% to 3.5 million ounces from 3.2 million ounces during 1990.

Consumption in France during 1991 decreased 3.4% to 27.7 million ounces the from 1990 levels of 28.6 million ounces. Coinage used 1.6 million ounces in 1991, down from 1.9 million ounces in the prior year. In 1989, coinage was 4.0 million ounces. It appears that interest in silver coins continued to decrease.

Exports surged 25.1% to 39.1 million ounces from a revised 31.3 million ounces in 1990. Spain continues to be the major export market for silver from France increasing to 19.3 million ounces from a revised 17.9 million ounces in 1990. Other major markets are Great Britain and Germany at 6.8 and 5.5 million ounces, respectively.

Imports totalled 42.4 million ounces in 1991, an increase of 18.2% from 35.8 million ounces in 1990. Major exporters to France were Great Britain at 13.8 million ounces, Spain at 10.2 million ounces, Morocco at 4.1 million ounces, Belgium at 3.5 million ounces and United States at 3.2 million ounces.

Canada

Consumption of silver was revised considerably by our Canadian sources and is estimated to be 15.5 million ounces in 1990 and 16.9 million ounces in 1991. Silver used for coinage declined 53.1% from a revised 1990 amount of 3.2 million ounces to 1.5 million ounces in 1991. Mine production was 39.9 million ounces, down 10.1% from a revised figure of 44.4 million ounces in 1990. Recycling of scrap increased slightly in 1990 from 4.6 million ounces to 4.8 million ounces in 1991.

Canadian exports of silver declined about 40% in 1991 from 60.9 million ounces in 1990 to 37 million ounces. Imports also declined from 11.7 million ounces in 1990 to 8.4 million ounces in 1991.

Mexico

Mine production in Mexico declined slightly to 62.7 million ounces in 1991 from 63.2 million ounces in 1990. In 1989 mine production was 65.3 million ounces. Mexican consumption of silver also decreased to 9.3 million ounces in 1991 from 10.6 million ounces in 1990. In percentage terms, this represents a decline of 12.3%. Coinage of silver increased slightly to 1.6 million ounces from 1.5 million in the prior two years.

Exports from Mexico declined approximately 19.7%, from 61.4 million ounces in 1990 to 49.3 million ounces in 1991. As in prior years, most of Mexico's production of silver is exported to the United States (28.6 million ounces), Japan (13.7 million ounces) and Great Britain (5.3 million ounces). Since Mexico is a major silver producer, it does not import silver. During 1991, the Bank of Mexico's stock of silver declined to 12.3 million ounces from 14.6 million ounces in 1990. In 1989, government holdings of silver were 22.3 million ounces.

Japan

Silver consumption for 1991 is estimated to have increased 1.6% to 108.6 million ounces from a revised 106.8 million ounces in 1990.

The consumption pattern has stayed very consistent over the years with the majority of the silver used in the photographic industry. The other uses are nitrates, electrical contacts, solder and brazing alloys, electroplating, silverware, tubes, sheets, bars and wires. The table on page 17 shows the quantities of silver used for each category:

	(millions of ounces)				
	1991	1990	1989	1988	1987
Photography	58.2	56.5	54.8	56.7	51.4
Nitrates	8.5	8.3	8.9	9.6	8.3
Contacts	9.8	9.7	9.5	8.4	7.0
Solder & Brazing	4.9	4.5	4.5	4.3	3.7
Plating	4.1	4.1	3.8	3.6	4.9
Tube, Sheet, Bar & Wire	7.5	7.6	6.9	5.9	5.3
Silverware	4.5	4.0	3.5	3.0	2.2
Other	11.1	12.1	10.5	12.4	9.4
Total	108.6	106.8	102.4	103.9	92.2

Mine production is estimated to have continued to decline in 1991 to 5.2 million ounces from 5.5 million ounces in 1990, due to closings of exhausted non-ferrous mines. There are no "silver" mines in Japan.

Importation of silver bullion and products increased 8.3% in 1991 to 32.5 million ounces from a revised 30.0 million ounces in 1990. Imports from Mexico increased 7.9% during 1991 to 13.7 million ounces from 12.7 million ounces in 1990. The other major source of silver imports was from the United States at 9.4 million ounces.

In addition to the refined silver imports, Japan also receives large quantities of mineral ores for refining into fine silver bullion. Total Japanese production of silver from its refineries is estimated to have increased 2.8% in 1991 to 69.1 million ounces from a revised 67.2 million ounces of silver in 1990.

Japan exported negligible amounts of silver during 1991 and 1990. Government stocks are estimated to be approximately 4 million ounces at the end of 1991, which is about one million more than at the end of 1990.

India

Strong demand for silver continued in 1991 both for industrial uses and investment purposes. Net investment demand is estimated to be 15.6 million ounces in 1991 as compared to 16.1 million ounces in 1990 and 9.6 million ounces in 1989. Industrial consumption of silver, including jewelry and silverware, rose to 25.7 million ounces from a revised 22.5 million ounces in 1990. Domestic mine production is very small and decreased to 0.9 million ounces from 1.1 million ounces in the prior year. Secondary refining is estimated to have declined to 6.4 million ounces in 1991 from 7 million ounces in 1990. Demand for silver was limited by a shortage of supply which caused prices to increase 22% in terms of local currency.

Importation of silver into India is prohibited. However, smuggling continues to supply most of the silver required. It is estimated that the amount of silver shipped into India in 1991 declined by 22% to 32.6 million ounces from a revised 41.8 million ounces in 1990.

Eastern European Countries

During 1991, the movement toward free markets and democracy in Eastern Europe spread to the former Soviet Union. As new governments were formed, disorder and inefficiencies appears to be commonplace. As a result of reforms and breakdown of old systems, production dropped and economic activities diminished. Statistical information is impossible to obtain and may not be very reliable when available. This is likely to continue for several more years as new systems evolve.

As these countries restructure their economic systems, silver will probably be mined and sold for hard currencies to be used to purchase machinery, equipment and consumer goods. The need for hard currency in the immediate future could lead to additional supplies of silver coming to the marketplace. However, as these

nations become more industrialized, the need for silver will probably increase and they will eventually become net consumers of silver.

Poland is one such country that produces and sells almost all of its silver to the marketplace. In 1989, Polish production of silver was 32.2 million ounces. It is estimated that a similar amount was produced in 1990 and 1991 since reliable statistics are not available. Some of Poland's output is believed to be exported to the Soviet Union.

The Soviet Union experienced tremendous changes in 1991 with the dissolution of the Union and the establishment of 12 new republics. It is estimated that substantial reductions in mine production occurred during recent periods. Although the new commonwealth is a major mineral producer, it does not produce enough silver to meet its own requirements. It is believed that the U.S.S.R. imports approximately 10 million ounces annually from Poland to supplement its domestic production of 37 million ounces.

Although the Soviet Union has not developed a consumer photographic market such as in the U.S. and Japan, it does use a substantial amount of silver. Due to lack of advancement in this area, their silver content per unit of film is high compared to the Western countries and Japan.

Other countries in the region that are minor producers of silver are:

Yugosiavia	4.9
Czechoslovakia	1.9
Bulgaria	.9

Silver Price History

Based upon recent history, it appears that silver has become less attractive as a medium for storing wealth in the developed countries of the world. While less developed countries with less

sophisticated financial markets and unstable governments may continue to rely on silver as a store of wealth, it does not appear that silver will regain its historical status as a monetary metal. The following table lists average annual silver prices in the U.S. since 1967 in terms of constant dollars:

SILVER PRICES VS. INFLATION
(1982=100)

	GNP Deflator	Average Silver Price	Deflated Price	Inflation Rate
1967	35.9	1.550	4.317	2.6%
1968	37.7	2.145	5.689	5.0%
1969	39.8	1.791	4.499	5.6%
1970	42.0	1.771	4.216	5.5%
1971	44.4	1.546	3.481	5.7%
1972	46.5	1.685	3.623	4.7%
1973	49.5	2.558	5.167	6.5%
1974	54.0	4.708	8.718	9.1%
1975	59.3	4.419	7.451	9.8%
1976	63.1	4.353	6.899	6.4%
1977	67.3	4.623	6.869	6.7%
1978	72.2	5.401	7.480	7.3%
1979	78.6	11.094	14.114	8.9%
1980	85.7	20.632	24.074	9.0%
1981	94.0	10.518	11.190	9.7%
1982	100.0	7.947	7.947	6.4%
1983	103.9	11.441	11.012	3.9%
1984	107.7	8.141	7.559	3.7%
1985	110.9	6.142	5.538	3.0%
1986	113.8	5.470	4.807	2.6%
1987	117.4	7.009	5.970	3.2%
1988	121.3	6.535	5.387	3.3%
1989	126.3	5.499	4.354	4.1%
1990	131.3	4.821	3.670	4.0%
1991	136.1	4.041	2.969	3.6%
YEAR END—1991	136.1	3.855	2.832	3.6%

In the table on page 20 average silver prices were adjusted for inflation by using GNP deflators, 1982 =100. In real terms, silver has not reached such low levels since 1971 when silver recorded a low of $1.288 (equivalent to $2.90 in 1982 dollars and $3.81 in current dollars). While these are extremely low prices in modern times, they are still substantially above the historic lows that occurred in the 1930's during the depression.

Since silver is a world commodity, its price must be viewed not just in U.S. dollar terms but in terms of the Japanese, Germans and British. To get an idea of this, we converted the silver prices above to local currency and then adjusted the local currencies for local inflation. For convenience, we used 1975 as the base year. We were surprised to see that, while silver prices in real Japanese yen terms have declined to 61.3% of the 1975 level, silver prices in real German mark terms, i.e., adjusted for German inflation, is approximately the same as in 1975. Even more surprising is that, in Great Britain, silver prices are actually four times what they were in 1975, again in real terms, i.e, adjusted for local inflation.

The following table summarizes the results of the above exercise, which uses each year's average silver prices. If we look at the December 31, 1991 price of $3.855, silver would be even cheaper in real terms.

INFLATION ADJUSTED AVERAGE SILVER PRICE
(1975=100)

	yen	marks	pounds	dollar
1975	100.0	100.0	100.0	100.0
1976	105.5	104.4	139.9	92.6
1977	107.4	106.1	174.6	92.2
1978	102.5	111.8	206.5	100.4
1979	225.8	218.0	438.9	189.4
1980	451.0	421.1	890.7	323.1
1981	231.0	278.0	580.9	150.2
1982	200.8	235.3	546.9	106.7
1983	277.9	368.0	956.0	147.8
1984	200.0	297.6	806.9	101.4
1985	153.7	237.2	662.3	74.3
1986	98.4	160.7	539.7	64.5
1987	107.9	174.0	648.6	80.1
1988	87.7	154.6	654.7	72.3
1989	82.6	148.4	579.4	58.4
1990	77.4	114.8	490.1	49.3
1991	61.3	102.7	434.7	47.5
YEAR END—1991	55.7	92.2	401.1	42.7

SILVER PRICE IN MAJOR CURRENCIES

	yen	marks	pounds	dollar
1975	1311	10.9	1.989	4.419
1976	1291	11.0	2.412	4.353
1977	1242	10.7	2.649	4.623
1978	1136	10.9	2.815	5.401
1979	2430	20.3	5.227	11.094
1980	4676	37.5	8.876	20.632
1981	2321	23.8	5.196	10.518
1982	1979	19.3	4.546	7.947
1983	2718	29.2	7.548	11.441
1984	1933	23.2	6.091	8.141
1985	1465	18.1	4.734	6.142
1986	921	11.9	3.727	5.470
1987	1013	12.6	4.274	7.009
1988	819	11.0	4.047	6.535
1989	759	10.3	3.357	5.499
1990	699	7.8	2.702	4.820
1991	544	6.7	2.286	4.041
YEAR END—1991	494	6.0	2.110	3.855

OUTLOOK FOR SILVER

It appears from the past two year's record low prices, in real as well as nominal terms, that investors did not exert the influence on the price of silver they had in previous years. Production of silver continues to be abundant and appears to be unaffected by price. This reflects the fact that the majority of silver produced is a by-product of gold, copper, lead and zinc mining. As long as it is profitable to produce gold, copper, lead and zinc, silver will continue to be produced despite the low prices. In other words, low silver prices do not cause supplies to decrease.

Although silver is in demand for investment purposes in lesser developed countries, such as India, the total demand is not substantial enough to have a great impact on the price of silver.

Furthermore, lesser developed countries usually erect barriers to decrease imports of silver and thereby preserve hard currency reserves.

As mentioned in prior years, silver continues to be abundant even though demand exceeds supply by over 64 million ounces during 1991. Supplies from stocks on hand in various exchanges, government agencies and private vaults were readily available to satisfy the needs of industry. As prices declined during the past decade, investment demand has also dropped. The decrease in investment demand appears to have led to further price declines. However, at some point, when prices are considered to be at rock bottom, investment demand may then return. The silver market surely defies prediction and there is no way of anticipating how the market is going to react to any particular situation. Continuing improvement in industrial demand and coinage will require investors to liquidate holdings of available supplies. It now appears that the supply-demand equation, which had been in balance for the last several years, has now shifted and demand is growing faster than new production.

STATISTICAL TABLES

World Silver Production
(millions of ounces)

	1991	1990	1989	1988	1987
Mine Production:					
United States	58.1	69.8	64.5	53.4	39.9
Canada	39.9	44.4	42.2	44.1	44.2
Mexico	62.7	63.2	65.3	75.9	77.6
Australia	40.9	37.7	34.6	35.8	36.0
France	0.8	0.8	0.8	0.8	0.8
West Germany	0.2	0.3	1.0	1.6	1.7
Italy	3.0	3.0	3.1	2.9	2.6
Japan	5.2	5.5	6.5	8.1	9.0
India	0.9	1.1	1.4	1.3	1.2
Peru	53.1	55.6	59.2	49.9	66.1
U.S.S.R.	37.0	41.8	53.0	50.8	49.8
Other Eastern European Countries	49.4	56.1	56.9	52.7	44.3
All Others	78.9	83.0	85.0	80.0	77.0
Total Mine Production	430.0	462.3	473.5	457.3	450.3
Recovery from Secondary Sources:					
United States	26.6	28.0	32.4	27.4	26.0
Canada	4.8	4.6	4.5	4.5	4.0
Mexico	1.0	1.0	1.0	1.0	0.8
United Kingdom	9.5	9.7	10.6	10.0	10.0
France	3.5	3.2	3.2	4.5	3.0
West Germany	20.9	21.1	22.5	18.0	20.0
Italy	5.0	5.0	5.0	5.0	4.5
Japan	8.6	8.3	7.0	5.2	17.6
India	6.4	7.0	6.6	14.5	14.5
U.S.S.R & Eastern Europe	3.1	3.2	10.0	9.5	9.4
Other Countries	5.0	5.0	5.1	5.0	5.0
Total Recovery	94.4	96.1	107.9	104.6	114.8
Total Worldwide Production	524.4	558.4	581.3	561.9	565.1

World Stock of Silver Bullion
(millions of ounces)

	1991	1990	1989	1988	1987
PRIVATE STOCK:					
New York Commodity Exchange	270.7	265.3	238.8	174.4	156.3
Chicago Board of Trade	12.1	12.3	11.8	13.1	13.5
London Metal Exchange	0.0	0.0	0.0	15.0	19.9
U. S. Industry Stock	16.0	16.1	17.5	15.2	15.0
Japan Industry Stock	47.7	46.7	37.3	27.1	25.0
Unreported Industry Stock-Other Countries	47.0	45.0	47.0	42.0	40.0
Unreported Investment Stock	803.4	856.3	907.1	937.8	952.4
Total	1196.9	1241.7	1259.5	1224.6	1222.1
U.S. GOVERNMENT STOCK:					
Strategic Stockpile	84.0	93.7	99.7	106.4	113.3
Treasury (Mint)	25.0	27.1	32.1	38.6	39.5
Total	109.0	120.8	131.8	145.0	152.8
FOREIGN GOVERNMENT STOCKS:					
Mexico	14.6	14.6	22.3	42.4	37.7
India	67.5	75.0	67.5	67.5	67.5
Unreported-Other Countries	60.0	60.0	58.0	58.1	57.4
Total	142.1	149.6	147.8	168.0	162.6
Worldwide Surface Silver Stock	1448.0	1512.0	1539.0	1537.7	1537.5

World Silver Consumption
(millions of ounces)

	1991	1990	1989	1988	1987
Industrial Uses:					
United States	118.1	115.2	118.8	120.0	118.5
Canada	16.9	15.5	10.9	10.8	10.4
Mexico	9.3	10.6	15.0	10.2	3.9
United Kingdom	22.4	22.2	22.5	22.3	21.5
France	27.7	28.6	28.0	22.5	19.6
West Germany	53.3	51.0	45.8	47.2	40.5
Italy	16.4	16.4	16.1	18.0	24.4
Japan	108.6	106.8	102.4	103.9	92.2
India	41.3	38.6	25.7	22.5	18.5
U.S.S.R & Eastern Europe	82.8	92.1	94.9	96.6	87.0
Other Countries	64.6	62.7	63.2	62.0	60.0
Total Industrial Uses	561.5	559.7	543.3	536.0	496.5
Coinage:					
United States	9.0	7.6	9.4	8.8	15.1
Canada	1.5	3.2	5.5	2.0	1.2
Mexico	1.6	1.5	2.0	1.5	2.3
France	1.6	1.9	4.0	2.2	2.3
West Germany	5.6	1.9	9.5	5.2	5.2
Other Countries	7.7	9.6	6.2	6.0	3.9
Total Coinage	27.0	25.7	36.7	25.7	30.0
Total Silver Consumption	588.4	585.4	580.0	561.7	526.5

United States Industrial Consumption of Silver by End Use

(millions of ounces)

	1991	1990	1989	1988	1987
Photographic materials	61.2	60.0	59.3	60.0	58.0
Electrical and electronic products	29.3	28.0	30.0	30.0	30.5
Sterling ware, electroplated ware and jewelry	12.2	12.0	11.0	12.0	13.0
Brazing alloys and solders	5.5	5.5	6.5	6.0	7.0
Other	9.9	10.0	12.0	12.0	10.0
Total Industrial Consumption	118.1	115.5	118.8	120.0	118.5

Changes In World Silver Stock

(millions of ounces)

	1991	1990	1989	1988	1987
World Silver Production	524.4	558.4	581.3	561.9	565.1
World Silver Consumption	588.4	585.4	580.0	561.7	526.5
Increase/(Decrease) in Worldwide Stock	-64.1	-27.0	1.4	0.2	38.5
Increase/(Decrease) in U.S. Government Stock	-11.8	-11.0	-13.2	-7.8	-8.3
Increase/(Decrease) in Industry Stock	2.9	6.0	17.4	4.3	0.4
Increase/(Decrease) in Foreign Gov't Stock	-7.5	1.8	-20.2	5.4	5.6
Increase/(Decrease) in Unreported Investment Stock	-52.9	-50.8	-30.7	-14.6	36.3
Increase/(Decrease) in Exchanges Stock	5.2	27.0	48.1	12.8	4.5
Increase/(Decrease) in Worldwide Stock	-64.1	-27.0	1.4	0.2	38.5

Silver Quotations

	NEW YORK (Handy & Harman) cents			LONDON (Daily Fixing) pence		
	High	Low	Average	High	Low	Average
1991 ...	453.000	358.000	404.702	276.850	183.500	226.664
1990 ...	539.000	393.000	482.011	323.500	204.150	273.087
1989 ...	617.000	501.500	549.917	376.150	309.200	335.538
1988 ...	799.000	601.000	653.460	457.750	328.400	367.295
1987 ...	1020.000	536.000	700.881	653.600	344.400	428.283
1986 ...	619.500	487.000	546.995	452.100	317.700	373.030
1985 ...	673.500	557.000	614.218	576.900	401.100	477.560
1984 ...	1003.500	626.000	814.066	679.700	529.100	607.056
1983 ...	1474.500	834.000	1144.128	948.650	560.250	753.437
1982 ...	1121.000	488.500	794.728	685.150	285.100	455.258
1981 ...	1645.000	795.000	1051.837	671.200	412.800	515.234
1980 ...	4800.000	1080.000	2063.157	2165.050	467.800	900.662

Handy & Harman

250 Park Avenue, New York, NY 10177

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